

## Message Text

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10

ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

AF-06 ARA-06 EA-07 NEA-10 /132 W  
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P R 221635Z OCT 75

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 6420

INFO AMEMBASSY BERLIN

AMEMBASSY BUDAPEST

AMEMBASSY HELSINKI

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: GATT ETRD FI BU GW HU

SUBJECT: GATT TREATMENT OF FINNISH ARRANGEMENTS WITH EASTERN  
COUNTRIES

REF: GENEVA 7932

1. FINNS HOSTED WORKING LUNCHEON OCTOBER 22 TO DISCUSS  
FUTURE GATT TREATMENT OF THEIR TRADE ARRANGEMENTS WITH  
CZECHOSLOVAKIA, BULGARIA AND GDR. FUTURE TREATMENT OF  
FINNISH-HUNGARIAN ARRANGEMENT ALSO DISCUSSED. IN  
ADDITION TO LOCAL FINNISH REP EGGERT, HELSINKI OFFICIAL  
KOSKINEN WAS PRESENT. GUESTS INCLUDED CHAIRMAN OF GATT  
WORKING PARTIES ON FINNISH ARRANGEMENT (AMBASSADOR  
EASTERBROOK-SMITH, NEW ZEALAND), U.S., CANADA, JAPAN,  
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SWITZERLAND, GERMANY, EC COMMISSION (KAWAN), AND GATT

SECRETARIAT (KAUTZOR-SCHROEDER).

2. AT OUTSET OF DISCUSSION, FINNS INDICATED THEY PLANNED TO ASK FOR WAIVER FOR THEIR ARRANGEMENT WITH GDR. JAPANESE ENCOURAGED THEM IN THIS SAYING THEY FELT ANY "FREE TRADE ARRANGEMENT" BETWEEN GATT CP AND NON-CP SHOULD BE SUBJECT OF WAIVER, RATHER THAN SUBMITTED UNDER ARTICLE XXIV. CANADIAN COMMENTS LIMITED BUT LEFT IMPRESSION ALSO APPEARED TO FAVOR WAIVER APPROACH. US NOTED WE HAD NO INSTRUCTIONS FROM WASHINGTON ON QUESTION BUT EXPRESSED VIEW US WOULD ALSO PROBABLY CONSIDER WAIVER MORE APPROPRIATE THAN ARTICLE XXIV. KAWAN, WHILE ALSO INDICATING HE HAD NO FIRM INSTRUCTIONS, ARGUED FORCEFULLY AGAINST WAIVER ON GROUNDS THAT THERE WERE NO EXCEPTIONAL CIRCUMSTANCES IN FINNISH-GDR CASE. HE ARGUED THAT FACTS THAT GDR WAS NOT CP, DID NOT HAVE TARIFF, AND WAS UNWILLING TO PARTICIPATE IN GATT WORKING PARTY AND RESPOND TO QUESTIONS WERE NOT, INDIVIDUALLY OR COLLECTIVELY, ADEQUATE BASIS FOR GATT APPROVING FINNISH-GDR ARRANGEMENTS BY WAIVER. HE FELT THAT FOR GATT TO APPROVE THAT ARRANGEMENT BY WAIVER WOULD ENCOURAGE OTHERS, E.G., SWEDEN, AUSTRIA, SWITZERLAND, POSSIBLY LATIN AMERICAN OR ASIAN LDCS AND PERHAPS IN TIME EVEN EC TO CONCLUDE "FREE TRADE AGREEMENTS" WITH EASTERN COUNTRIES. OTHER PARTICIPANTS RECOGNIZED THAT THERE WAS SOME SUCH RISK BUT CONSIDERED THAT THE DANGER OF PROLIFERATION WOULD BE EVEN GREATER IF FINNISH ARRANGEMENT WITH GDR REMAINED IN FORCE AND WAS SUBJECT TO ONLY INCONCLUSIVE GATT EXAMINATION AFTER ARTICLE XXIV PRESENTATION. KAWAN RHETORICALLY ASKED WHAT WAS BASIC DIFFERENCE BETWEEN FINNISH ARRANGEMENTS WITH HUNGARY, CZECHOSLOVAKIA, BULGARIA WHICH WERE BEING SUBMITTED UNDER ARTICLE XXIV AND GDR ARRANGEMENT WHICH WAS BEING CONSIDERED FOR WAIVER. THIS LED OTHERS TO SUGGEST THAT PERHAPS APPROPRIATE ACTION IN CASE OF OTHER AGREEMENTS WOULD ALSO HAVE BEEN WAIVER. AFTER HEARING KAWAN VIEWS, FINNS INDICATED THAT THEY HAD NOT MADE FINAL DECISION TO ASK FOR WAIVER AND THAT MATTER COULD BE RECONSIDERED LIMITED OFFICIAL USE

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AND THAT PRESENTATION UNDER ARTICLE XXIV ALWAYS POSSIBLE. (FINNS HAD PREVIOUSLY TOLD US THEY WOULD ASK FOR WAIVER ONLY IF SURE OF GETTING APPROVAL.) ALL PARTIES AGREED THAT QUESTION NEEDED FURTHER REFLECTION AND SHOULD BE REMOVED FROM OCTOBER 31 GATT COUNCIL AGENDA. IT WAS ALSO RECOGNIZED, HOWEVER, THAT MATTER SHOULD NOT BE ALLOWED TO BE PUT OFF INDEFINITELY AND THAT THEREFORE IT WOULD BE IMPORTANT TO DEAL WITH IT ONE

WAY OR ANOTHER AT SUBSEQUENT (NOV 21) GATT COUNCIL.

3. COMMENT: WE BELIEVE THAT RISK OF FINNISH ARRANGEMENTS BECOMING PRECEDENT IS GREATEST IF THEY ARE SUBMITTED UNDER ARTICLE XXIV, FOLLOWED BY INCONCLUSIVE GATT CONSIDERATION. WHILE IT IS HARD TO PUT ON PAPER REASONS WHY FINNISH CASE EXCEPTIONAL, WE BELIEVE THAT THERE IS GENERAL RECOGNITION THAT FINLAND IS IN FACT IN SPECIAL POSITION AND THAT IT WOULD BE MORE DIFFICULT FOR COUNTRIES SUCH AS AUSTRIA, SWEDEN, SWITZERLAND OR ANY OTHERS TO APPLY FOR AND SECURE WAIVER. THEREFORE, WE BELIEVE U.S. SHOULD PROMPTLY TELL FINNS OFFICIALLY THAT WE FAVOR WAIVER APPROACH WITH REGARD TO GDR AGREEMENT AND THAT WE WOULD VOTE FOR WAIVER. WE BELIEVE WE SHOULD ALSO TELL THEM THAT WE WOULD HAVE FAVORED WAIVER APPROACH WITH REGARD TO THEIR AGREEMENTS WITH CZECHOSLOVAKIA, HUNGARY AND BULGARIA AND THAT IF THEY WERE NOW WILLING TO MODIFY GATT PRESENTATION TO WAIVER REQUEST WE WOULD BE PLEASED AND SUPPORT THEM. IN FACT, WE THINK IT HIGHLY UNLIKELY THEY WILL DO SO WITH REGARD TO HUNGARIAN AND CZECH AGREEMENTS, BECAUSE OF VIEWS OF THOSE PARTNER COUNTRIES, BOTH OF WHOM ARE CPS AND ARGUE THEY HAVE RIGHT TO AVAIL THEMSELVES OF ARTICLE XXIV LIKE OTHER CPS. IT IS POSSIBLE, HOWEVER, THEY MIGHT BE INDUCED TO FOLLOW THIS APPROACH FOR BULGARIAN AGREEMENT, PARTICULARLY IF BULGARIANS CONTINUE TO TAKE PRESENT POSITION THAT THEY UNWILLING TO PARTICIPATE ACTIVELY IN GATT WORKING PARTY AND ANSWER QUESTIONS.

4. CONCERNING FINNISH-CZECHOSLOVAKIAN AGREEMENT, KAWAN INDICATED CZECHS WILLING TO RESUME WORKING LIMITED OFFICIAL USE

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PARTY CONSIDERATION IN JANUARY AND ALL OTHER PARTICIPANTS AGREED THIS WOULD BE SATISFACTORY.

5. CONCERNING BULGARIAN AGREEMENT, FINNS INDICATED THEY ARE TRYING TO PERSUADE BULGARIANS TO PARTICIPATE IN WORKING PARTY. CHAIRMAN EASTERBROOK-SMITH SAID THAT THE WOULD REFUSE TO PRESIDE OVER ANOTHER MEETING AT WHICH BULGARIANS REFUSED PARTICIPATE AND ANSWER QUESTIONS. FINNS RESPONDED THAT THIS SHOULD HELP THEM IN THEIR REPRESENTATIONS IN SOFIA. EASTERBROOK-SMITH EXPRESSED PUZZLEMENT ABOUT REASONS FOR BULGARIAN REFUSAL TO PARTICIPATE UP TO NOW, NOTING THAT IT SEEMED INCONSISTENT WITH HIS UNDERSTANDING THAT BULGARIANS WERE SERIOUSLY CONSIDERING FULL GATT CP STATUS. (HE SAID LUKANOV HAD TOLD

HIM THIS.)

6. CONCERNING FINNISH-HUNGARIAN AGREEMENT, KAWAN  
INDICATED HE HAD REASON TO EXPECT THAT AT OCTOBER 31  
GATT COUNCIL HUNGARIANS WOULD INDICATE WILLINGNESS  
TO PARTICIPATE IN RENEWED EXAMINATION OF THEIR AGREE-  
MENT WITH FINLAND BY WORKING PARTY IN ABOUT  
A YEAR. ABRAMS

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